

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

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SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

(Before September 2013 Election)

Mike Grove	President	2015
Will Johnston	Vice President	2013
Marie Johnson	Board Member	2013
Joely Swenson	Board Member	2015
Kempton Young	Board Member	2015

(After September 2013 Election)

Will Johnston	President	2017
Joely Swenson	Vice President	2015
Marie Johnson	Board Member	2017
Mike Grove	Board Member	2015
Kempton Young (resigned May 2014)	Board Member	2015
Amber Van DE Pol (appointed 5/5/2014)	Board Member	2015

**School Officials**

Tim Johnson	Superintendent
Susan Headley	District Secretary/Treasurer

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of  
South Hamilton Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities the discretely presented component unit, each major fund and the aggregate remaining fund information of South Hamilton Community School District, Jewell, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Hamilton Community School District as of June

30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Other Matters

##### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Hamilton Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2015 on our consideration of South Hamilton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Hamilton Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 27, 2015

**South Hamilton Community Schools  
Management Discussion & Analysis  
FY 2014**

Management of the South Hamilton Community School District provides this Management's Discussion and Analysis of the South Hamilton Community School District. This narrative overview analysis of the financial activities of the South Hamilton Community School District is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

**FY 2014 Financial Highlights**

- General Fund revenues increased from \$7,124,697 in fiscal year 2013 to \$7,199,617 in fiscal year 2014, while General Fund expenditures increased from \$7,364,024 in FY 2013 to \$7,820,347 in FY 2014. This indicates that the District's General Fund balance decreased from \$2,256,843 at the end of Fiscal year 2013 to \$1,638,105 at the end of FY2014, a decrease of \$618,738.
- The district's solvency ratio decreased from 24.3% at June 30, 2013 to 22.74% at June 30, 2014.
- The district's unspent balance (spending authority) decreased from \$1,414,149 at June 30, 2013, to \$1,015,067 at June 30, 2014.

**Using this Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of South Hamilton Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Hamilton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which South Hamilton Community School District acts solely as an agent or custodian for the benefit of those outside of District government.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the non-major governmental funds.

## **Government-wide Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net Position – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether our financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and the agri. science tech student construction program are included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Agri. Science Tech Student Construction Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and

activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### Financial Analysis of the District as a Whole

The following table represents a condensed statement of net position for the FY 2014 compared to FY 2013.

#### Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total School District		Percenta ge Change
	2013	2014	2013	2014	2013	2014	2013-2014
Current and other assets	\$7,539,828	\$7,299,051	\$19,044	\$52,170	\$7,558,872	\$7,351,221	-3%
Capital assets	\$7,500,533	\$7,675,623	\$190,047	\$177,389	\$7,690,580	\$7,853,012	2%
<b>Total Assets</b>	<b>\$15,040,361</b>	<b>\$14,974,674</b>	<b>\$209,091</b>	<b>\$229,559</b>	<b>\$15,249,452</b>	<b>\$15,204,233</b>	0%
Long-term liabilities	\$1,714,476	\$996,057	\$14,872	\$18,550	\$1,729,348	\$1,014,607	-41 %
Other liabilities	\$4,279,020	\$777,118	\$6,567	\$58	\$4,285,587	\$777,176	-82 %
<b>Total liabilities</b>	<b>\$5,993,496</b>	<b>\$1,773,175</b>	<b>\$21,439</b>	<b>\$18,608</b>	<b>\$6,014,935</b>	<b>\$1,791,783</b>	-70 %
Deferred inflows of resources	3,535,618	3,285,010	6,378	6,791	3,541,996	3,291,801	-7.06%
Net Position							
Net investment in capital							
Assets	\$6,325,533	\$7,180,623	\$190,047	\$177,389	\$6,515,580	\$7,358,012	13%
Restricted	\$1,214,052	\$1,668,112	\$0	\$0	\$1,214,052	\$1,668,112	37%
Unrestricted	\$1,507,280	\$1,067,754	(2,395)	\$26,771	\$1,504,885	\$1,094,52 5	-27%
<b>TOTAL NET POSITION</b>	<b>\$9,046,865</b>	<b>\$9,916,489</b>	<b>\$187,652</b>	<b>\$204,160</b>	<b>\$9,234,517</b>	<b>\$10,120,649</b>	10%

The District's overall financial position has been as evidenced by a growth in total net position of 10% from FY13 to FY14. However, due to inadequate "general use aid" – lower than necessitated % of annual growth and the fact that the majority of the increases in state educational funding have been designed for restricted uses - over recent years, a declining enrollment trend line, and the continual escalation district costs; the district must be diligent in its financial planning to maintain a sound financial position.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$454,060 over the prior year.

### ***Changes in net assets.***

The following table shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

#### ***Changes in Net Assets.***

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>%</b>
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>Change</b>
<b>Revenues</b>							
Program Revenues							
Charges for services	\$1,162,769	\$1,324,819	\$251,177	\$274,170	\$1,413,946	\$1,598,989	13%
Operating Grants & Contributions	\$1,072,156	\$1,022,971	\$156,736	\$176,854	\$1,228,892	\$1,199,825	-2%
Capital Grants & Contributions	\$0	\$4,447	\$194,735	\$0	\$194,735	\$4,447	-98%
Property taxes & other taxes	\$4,195,644	\$4,427,844	\$0	\$0	\$4,195,644	\$4,427,844	6%
Unrestricted state aid	\$2,612,302	\$2,558,342	\$0	\$0	\$2,612,302	\$2,558,342	-2%
Other	\$20,470	\$10,185	\$8	\$7	\$20,478	\$10,192	-50%
<b>Total Revenues</b>	<b>\$9,063,341</b>	<b>\$9,348,608</b>	<b>\$602,656</b>	<b>\$451,031</b>	<b>\$9,665,997</b>	<b>\$9,799,639</b>	<b>1%</b>
<b>Expenses</b>							
Instruction	\$5,646,571	\$5,209,620	\$0	\$0	\$5,646,571	\$5,209,620	-8%
Pupil & Instructional Svcs	\$483,993	\$726,465	\$0	\$0	\$483,993	\$726,465	50%
Administrative & Business	\$676,212	\$731,478	\$0	\$0	\$676,212	\$731,478	8%
Maintenance & Operations	\$580,305	\$653,501			\$580,305	\$653,501	13%
Transportation	\$354,499	\$386,139	\$0	\$0	\$354,499	\$386,139	9%
Non-instructional Programs	\$0	\$0	\$436,270	\$434,523	\$436,270	\$434,523	<-1%
Other	\$803,710	\$771,781	\$0	\$0	\$803,710	\$771,781	-4%
<b>Total Expenses</b>	<b>\$8,545,290</b>	<b>\$8,478,984</b>	<b>\$436,270</b>	<b>\$434,523</b>	<b>\$8,981,560</b>	<b>\$8,913,507</b>	<b>-1%</b>
Transfers	\$(35,000)	\$0	\$35,000	\$0	\$0	\$0	
<b>Increase (decrease) in net position</b>	<b>\$483,051</b>	<b>\$869,624</b>	<b>\$201,386</b>	<b>\$16,508</b>	<b>\$684,437</b>	<b>\$886,132</b>	<b>29%</b>

As shown in figure A-4 the District as a whole experienced a 1% increase in revenues and a 1% decrease in expenditures.

## Governmental Activities

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

### **Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2013	2014	% Change	2013	2014	% Change
Instruction	\$5,646,571	\$5,209,620	-8%	\$3,732,247	\$3,234,166	-13%
Pupil & Instructional Services	\$483,993	\$726,465	50%	\$480,478	\$658,700	37%
Administrative & Business	\$676,212	\$731,478	8%	\$676,212	\$731,478	8%
Maintenance & Operations	\$580,305	\$653,501	13%	\$552,243	\$624,329	13%
Transportation	\$354,499	\$386,139	9%	\$354,499	\$386,139	9%
Non-instructional programs	\$0	\$0	0%	\$0	\$0	0%
Other	\$803,710	\$771,781	-4%	\$514,686	\$491,935	-4%
<b>TOTAL</b>	<b>\$8,545,290</b>	<b>\$8,478,984</b>	<b>-1%</b>	<b>\$6,310,365</b>	<b>\$6,126,747</b>	<b>-3%</b>

- The cost of all governmental activities this year was \$8,478,984.
- The portion of the cost financed by users of the District's programs was \$1,324,819 that represents tuition from other schools, charges to other schools for shared employees, revenues from extra-curricular student activities and student registration fees.
- The federal and state government and private contributors subsidized certain programs with grants and contributions totaling \$1,022,971.
- The net cost portion of governmental activities was financed with \$3,467,143 in property tax, \$2,558,342 in unrestricted state aid, \$580,784 in sales tax, \$379,917 income surtax, and \$4,901 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities totaled \$451,031 while expenses totaled \$434,523. The District's business-type activities include the School Nutrition Fund and the Ag Technology Enterprise Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

## Individual Fund Analysis

As previously noted, the South Hamilton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,925,751, down from last year's ending fund balances of \$2,968,033.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$2,256,843 in FY13 to \$1,638,105 in FY14.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. Balances in the Capital Projects Fund must be used for future capital improvements and equipment purchases.
- The sales tax account balance increased from \$1,819 at June 30, 2013 to \$553,935 at June 30, 2014.
- The Physical Plant and Equipment Levy (PEEL) account balance decreased from \$350,947 in FY2013 to \$243,251 in FY2014.

### **Proprietary Fund Highlights**

The district has been reviewing its meal pricing and implementing measures to continue to control labor and food costs in the Nutrition Fund. The measures taken since the data included in this audit report was collected have shown to be effective as the district strives to control costs within the Nutrition Fund.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis. Over the course of the year, the District adopted one budget amendment that reallocated budgeted expenditures among the functions, but did not change total budgeted expenditures.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

## **Capital Asset and Debt Administration**

### **Capital Assets**

By the end of the fiscal year 2014, the District had invested \$7,853,012, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices. This amount represents a net increase of 2 percent from last year. (See exhibit below).

**Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2013 to 2014
	2013	2014	2013	2014	2013	2014	
Land	\$39,301	\$39,301			\$39,301	\$39,301	0%
Construction in progress	\$0	\$0	\$0	\$0	\$0	\$0	0%
Buildings & Other Improvements	\$6,291,137	\$6,135,716	\$0	\$0	\$6,291,137	\$6,135,716	-2%
Improvements other than buildings	\$534,766	\$518,276	\$0	\$0	\$534,766	\$518,276	-3%
Equipment & Furniture	\$635,329	\$982,330	\$190,047	\$177,389	\$825,376	\$1,159,719	41%
<b>TOTAL</b>	<b>\$7,500,533</b>	<b>\$7,675,623</b>	<b>\$190,047</b>	<b>\$177,389</b>	<b>\$7,690,580</b>	<b>\$7,853,012</b>	<b>2%</b>

**Long-Term Debt**

At year-end, the district had \$495,000 of general obligation bonds outstanding. This represents a decrease of 58% percent from last year. This debt is related to a \$5,000,000 bond issue approved by the voters on December 2, 1997 for the new elementary school building.

The District general obligation bonds are rated Aa3 and AA-. These ratings are assigned by national rating agencies to the District's debt since 2008.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$13 million.

**Figure A-7  
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2013	2014	2013-2014
	\$	\$	%
General obligation bonds	\$ 1,175,000	\$495,000	-58%
Note payable	\$375,000	\$250,000	-33%
Termination benefits	\$17,000	\$60,500	256%
Net OPEB liability	\$ 162,348	\$209,107	29%
	<u>\$1,729,348</u>	<u>\$1,014,607</u>	<u>-41%</u>

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The projections for enrollment show that there is likely to be a continual down trend in enrollment for a number of years.
- The state of Iowa's current trend to provide limited and inadequate annual educational funding, in addition to, its more common practice to designate most all new funding in a restricted manner.
- The overall national, state, and local economic climates are extremely challenging to all entities, including public schools that are dependent on state funds.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Susan L. Headley, Board Secretary/Business Manager  
or Ken Howard, Superintendent  
South Hamilton Community Schools  
315 Division Street  
Jewell, IA 50130  
515-827-5671

## BASIC FINANCIAL STATEMENTS

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total	Component Unit South Hamilton Community School District Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	3,281,289	16,670	3,297,959	365,070
Receivables:				
Property tax:				
Delinquent	27,860	-	27,860	-
Succeeding year	3,285,010	-	3,285,010	-
Accounts	26,592	1,002	27,594	-
Internal balances	3,102	(3,102)	-	-
Due from other governments	675,198	-	675,198	-
Inventories	-	37,600	37,600	-
Capital assets, net of accumulated depreciation	7,675,623	177,389	7,853,012	-
<b>Total assets</b>	<b>14,974,674</b>	<b>229,559</b>	<b>15,204,233</b>	<b>365,070</b>
<b>Liabilities</b>				
Accounts payable	81,087	58	81,145	-
Salaries and benefits payable	691,748	-	691,748	-
Accrued interest payable	4,283	-	4,283	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	360,000	-	360,000	-
Notes payable	125,000	-	125,000	-
Termination benefits	60,500	-	60,500	-
Portion due after one year:				
General obligation bonds payable	135,000	-	135,000	-
Notes payable	125,000	-	125,000	-
Net OPEB liability	190,557	18,550	209,107	-
<b>Total liabilities</b>	<b>1,773,175</b>	<b>18,608</b>	<b>1,791,783</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Succeeding year property tax	3,285,010	-	3,285,010	-
Other	-	6,791	6,791	-
	<b>3,285,010</b>	<b>6,791</b>	<b>3,291,801</b>	<b>-</b>

See notes to financial statements.

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total	Component Unit South Hamilton Community School District Foundation
	\$	\$	\$	\$
<b>Net position</b>				
Net investment in capital assets	7,180,623	177,389	7,358,012	-
Restricted for:				
Categorical funding	440,802	-	440,802	-
Management levy	342,082	-	342,082	-
Physical plant and equipment levy	247,698	-	247,698	-
Student activities	62,373	-	62,373	-
School Infrastructure	553,935	-	553,935	-
Debt service	21,222	-	21,222	-
Unrestricted	1,067,754	26,771	1,094,525	365,070
<b>Total net position</b>	<u>9,916,489</u>	<u>204,160</u>	<u>10,120,649</u>	<u>365,070</u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2014

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,709,020	870,596	628,359	-
Special	824,468	137,606	51,094	-
Other	676,132	219,680	68,119	-
	5,209,620	1,227,882	747,572	-
Support services:				
Student	324,580	67,765	-	-
Instructional staff	401,885	-	-	-
Administration	731,478	-	-	-
Operation and maintenance of plant	653,501	29,172	-	-
Transportation	386,139	-	-	-
	2,497,583	96,937	-	-
Other expenditures:				
Facilities acquisition	195,181	-	-	4,447
Long-term debt interest	55,180	-	-	-
AEA flowthrough	275,399	-	275,399	-
Depreciation (unallocated)*	246,021	-	-	-
	771,781	-	275,399	4,447
Total governmental activities	8,478,984	1,324,819	1,022,971	4,447
Business type activities:				
Food service operations	422,841	263,305	176,854	-
Agri. science tech. student construction	11,682	10,865	-	-
Total business type activities	434,523	274,170	176,854	-
Total primary government	8,913,507	1,598,989	1,199,825	4,447
Component Unit:				
South Hamilton Community School District Foundation	172,002	19,272	223,772	-
Total	9,085,509	1,618,261	1,423,597	4,447
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net position**

Net position beginning of year

Net position end of year

\*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(2,210,065)	-	(2,210,065)	-
(635,768)	-	(635,768)	-
(388,333)	-	(388,333)	-
(3,234,166)	-	(3,234,166)	-
(256,815)	-	(256,815)	-
(401,885)	-	(401,885)	-
(731,478)	-	(731,478)	-
(624,329)	-	(624,329)	-
(386,139)	-	(386,139)	-
(2,400,646)	-	(2,400,646)	-
(190,734)	-	(190,734)	-
(55,180)	-	(55,180)	-
-	-	-	-
(246,021)	-	(246,021)	-
(491,935)	-	(491,935)	-
(6,126,747)	-	(6,126,747)	-
-	17,318	17,318	-
-	(817)	(817)	-
-	16,501	16,501	-
(6,126,747)	16,501	(6,110,246)	-
-	-	-	71,042
(6,126,747)	16,501	(6,110,246)	71,042
2,385,972	-	2,385,972	-
724,339	-	724,339	-
356,832	-	356,832	-
379,917	-	379,917	-
580,784	-	580,784	-
2,558,342	-	2,558,342	-
4,901	-	4,901	-
5,284	7	5,291	-
6,996,371	7	6,996,378	-
869,624	16,508	886,132	71,042
9,046,865	187,652	9,234,517	294,028
9,916,489	204,160	10,120,649	365,070

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2014

	General	Capital	Management	Nonmajor	Total
	\$	Projects	\$	Governmental	\$
<b>Assets</b>					
Cash, cash equivalents and pooled investments	2,223,618	572,058	400,539	71,535	3,267,750
Receivables:					
Property tax:					
Delinquent	17,454	2,760	2,043	5,603	27,860
Succeeding year	2,152,248	354,380	400,000	378,382	3,285,010
Accounts	12,147	2,055	-	12,390	26,592
Interfund receivable	3,102	-	-	-	3,102
Due from other governments	453,939	221,259	-	-	675,198
<b>Total assets</b>	<u>4,862,508</u>	<u>1,152,512</u>	<u>802,582</u>	<u>467,910</u>	<u>7,285,512</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	78,491	946	-	1,650	81,087
Salaries and benefits payable	683,149	-	-	-	683,149
Total liabilities	<u>761,640</u>	<u>946</u>	<u>-</u>	<u>1,650</u>	<u>764,236</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,152,248	354,380	400,000	378,382	3,285,010
Income surtax	310,515	-	-	-	310,515
Total deferred inflows of resources	<u>2,462,763</u>	<u>354,380</u>	<u>400,000</u>	<u>378,382</u>	<u>3,595,525</u>
Fund balances:					
Restricted for:					
Categorical funding	440,802	-	-	-	440,802
Debt service	-	-	-	25,505	25,505
Management levy purposes	-	-	402,582	-	402,582
Student activities	-	-	-	62,373	62,373
School infrastructure	-	553,935	-	-	553,935
Physical plant and equipment	-	243,251	-	-	243,251
Unassigned	1,197,303	-	-	-	1,197,303
Total fund balances	<u>1,638,105</u>	<u>797,186</u>	<u>402,582</u>	<u>87,878</u>	<u>2,925,751</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>4,862,508</u>	<u>1,152,512</u>	<u>802,582</u>	<u>467,910</u>	<u>7,285,512</u>

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Position

June 30, 2014

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	2,925,751
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,675,623
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	310,515
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(4,283)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	4,940
Long-term liabilities, including bonds payable, capital leases payable, early retirement benefits, and other postemployment benefits, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(996,057)</u>
<b>Net position of governmental activities (Exhibit A)</b>	<u><u>9,916,489</u></u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Management	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,501,647	356,832	249,886	724,339	3,832,704
Tuition	908,575	-	-	-	908,575
Other	208,587	2,856	4,781	210,205	426,429
State sources	3,449,403	580,918	99	272	4,030,692
Federal sources	131,405	4,447	-	-	135,852
Total revenues	<u>7,199,617</u>	<u>945,053</u>	<u>254,766</u>	<u>934,816</u>	<u>9,334,252</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,594,445	-	63,482	-	3,657,927
Special	816,587	-	-	-	816,587
Other	959,545	-	-	202,304	1,161,849
	<u>5,370,577</u>	<u>-</u>	<u>63,482</u>	<u>202,304</u>	<u>5,636,363</u>
Support services:					
Student	145,789	-	-	-	145,789
Instructional staff	400,309	-	-	-	400,309
Administration	729,158	3,575	-	-	732,733
Operation and maintenance of plant	580,554	7,000	48,422	-	635,976
Transportation	318,561	81,548	17,403	-	417,512
	<u>2,174,371</u>	<u>92,123</u>	<u>65,825</u>	<u>-</u>	<u>2,332,319</u>
Other expenditures:					
Facilities acquisition	-	269,291	-	-	269,291
Long-term debt:					
Principal	-	-	-	805,000	805,000
Interest and fiscal charges	-	-	-	58,162	58,162
AEA flowthrough	275,399	-	-	-	275,399
	<u>275,399</u>	<u>269,291</u>	<u>-</u>	<u>863,162</u>	<u>1,407,852</u>
Total expenditures	<u>7,820,347</u>	<u>361,414</u>	<u>129,307</u>	<u>1,065,466</u>	<u>9,376,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(620,730)</u>	<u>583,639</u>	<u>125,459</u>	<u>(130,650)</u>	<u>(42,282)</u>
Other financing sources (uses):					
Operating transfers in	1,992	-	-	139,219	141,211
Operating transfers out	-	(139,219)	-	(1,992)	(141,211)
Total other financing sources (uses)	<u>1,992</u>	<u>(139,219)</u>	<u>-</u>	<u>137,227</u>	<u>-</u>
Change in fund balances	(618,738)	444,420	125,459	6,577	(42,282)
Fund balances beginning of year	<u>2,256,843</u>	<u>352,766</u>	<u>277,123</u>	<u>81,301</u>	<u>2,968,033</u>
Fund balances end of year	<u>1,638,105</u>	<u>797,186</u>	<u>402,582</u>	<u>87,878</u>	<u>2,925,751</u>

See notes to financial statements.

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2014

	\$	\$
<b>Change in fund balances - total governmental funds (Exhibit E)</b>		(42,282)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	695,936	
Depreciation expense	<u>(520,846)</u>	175,090
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		14,356
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		805,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		2,982
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(43,500)	
Other postemployment benefits	<u>(43,081)</u>	(86,581)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>1,059</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>869,624</u></u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Funds

June 30, 2014

	Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and pooled investments	16,670	13,539
Accounts receivable	1,002	-
Inventories	37,600	-
Total current assets	55,272	13,539
Noncurrent assets:		
Capital assets, net of accumulated depreciation	177,389	-
<b>Total assets</b>	232,661	13,539
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	58	8,599
Interfund payable	3,102	-
Deferred revenue	6,791	-
Total current liabilities	9,951	8,599
Noncurrent liabilities:		
Net OPEB liability	18,550	-
<b>Total liabilities</b>	28,501	8,599
<b>Net position</b>		
Investment in capital assets	177,389	-
Unrestricted	26,771	4,940
<b>Total net position</b>	204,160	4,940

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds

Year ended June 30, 2014

	Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	274,170	50,747
Operating expenses:		
Salaries	135,479	-
Benefits	73,476	49,691
Purchased services	1,010	-
Supplies	209,500	-
Depreciation	14,369	-
Other	689	-
Total operating expenses	434,523	49,691
Operating income (loss)	(160,353)	1,056
Non-operating revenues:		
State sources	3,528	-
Federal sources	173,326	-
Interest income	7	3
Total non-operating revenues	176,861	3
Change in net position	16,508	1,059
Net position beginning of year	187,652	3,881
Net position end of year	204,160	4,940

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2014

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	264,417	-
Cash received from sale of services and equipment	10,665	-
Cash received from sale of services to other funds	-	50,747
Cash paid to employees for services	(205,277)	(50,374)
Cash paid to suppliers for goods or services	(195,725)	-
Net cash (used) provided by operating activities	<u>(125,920)</u>	<u>373</u>
Cash flows from non-capital financing activities:		
Loans from (repaid to) other funds	(15,029)	-
State grants received	3,528	-
Federal grants received	147,381	-
Net cash provided by non-capital financing activities	<u>135,880</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(2,400)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>7</u>	<u>3</u>
Net decrease in cash and cash equivalents	7,567	376
Cash and cash equivalents at beginning of year	<u>9,103</u>	<u>13,163</u>
Cash and cash equivalents at end of year	<u><u>16,670</u></u>	<u><u>13,539</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>		
Operating income (loss)	(160,353)	1,056
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	25,945	-
Depreciation	15,058	-
Decrease (increase) in inventories	(11,029)	-
Decrease (increase) in accounts receivable	499	-
(Decrease) increase in accounts payable	(131)	-
(Decrease) increase in salaries and benefits payable	-	(683)
(Decrease) increase in deferred revenue	413	-
(Decrease) increase in other postemployment benefits	3,678	-
Net cash (used) provided by operating activities	<u><u>(125,920)</u></u>	<u><u>373</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received \$25,945 of federal commodities.

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Fiduciary Fund

June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	25,091
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Reserved for scholarships	<u><u>25,091</u></u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position  
Fiduciary Fund

Year ended June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	4,656
Interest	<u>25</u>
Total additions	<u>4,681</u>
Deductions:	
Support services:	
Scholarships awarded	<u>6,700</u>
Change in net position	(2,019)
Net position beginning of year	<u>27,110</u>
Net position end of year	<u><u>25,091</u></u>

# SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### 1. Summary of Significant Accounting Policies

South Hamilton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Jewell, Ellsworth, Randall and Stanhope, Iowa and the predominately agricultural territory in a portion of Boone and Hamilton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, South Hamilton Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The South Hamilton Community School District Foundation is included in the financial statements, as required by section 11.6 of the Code of Iowa. The Foundation is the discreetly presented component unit.

The South Hamilton Community School District Foundation was established to maintain, develop, increase and extend the facilities and services of the South Hamilton Community School District, and to provide broader education service opportunities to its students, staff, faculty and the residents of the South Hamilton Community School District. Foundation financial statements are shown in the Statement of Net Position and the Statement of Activities in separate columns.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Fund is used to pay the costs of unemployment benefits; early retirement benefits; insurance agreements; the costs of liability insurance to protect the school districts from tort liability, loss of property; and judgments or settlements relating to such liability.

The District's nonmajor proprietary funds include the Enterprise School Nutrition Fund and the Enterprise Agricultural Science Technology Student Construction Fund. The Nutrition Fund is used to account for the food service operations of the District and the Agricultural Science Technology Student Construction Fund is used to account for student construction projects held for resale.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	25,000
Improvements other than buildings	25,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Intangibles	3-20 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures did not exceed the amended amounts budgeted.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

**3. Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Enterprise: School Nutrition	3,102

The General Fund has loaned the School Nutrition Fund money for cash flow.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Capital Projects Fund	139,219
General Fund	Activity Fund	1,992

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	39,301	-	-	39,301
Capital assets being depreciated:				
Buildings	9,931,579	42,930	-	9,974,509
Improvements other than buildings	1,046,709	31,180	-	1,077,889
Furniture and equipment	3,057,547	621,826	37,967	3,641,406
Total capital assets being deprec.	14,035,835	695,936	37,967	14,693,804
Less accumulated depreciation for:				
Buildings	3,640,442	198,351	-	3,838,793
Improvements other than buildings	511,943	47,670	-	559,613
Furniture and equipment	2,422,218	274,825	37,967	2,659,076
Total accumulated depreciation	6,574,603	520,846	37,967	7,057,482
Total capital assets being depreciated, net	7,461,232	175,090	-	7,636,322
Governmental activities capital assets, net	7,500,533	175,090	-	7,675,623
<b>Business type activities:</b>				
Furniture and equipment	325,963	2,400	-	328,363
Less accumulated depreciation	135,916	14,369	(689)	150,974
Business type activities capital assets, net	190,047	(11,969)	689	177,389
Depreciation expense was charged to the following functions:				\$
Governmental activities:				
Instruction:				
Regular				1,573
Other				5,080
Support services:				
Student Support				202,493
Administration				606
Operation and maintenance of plant services				15,423
Transportation				49,650
				274,825
Unallocated depreciation				246,021
Total depreciation expense . governmental activities				520,846
Business type activities:				
Food services				14,369

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	1,175,000	-	680,000	495,000	360,000
Note Payable	375,000	-	125,000	250,000	125,000
Termination benefits	17,000	60,500	17,000	60,500	60,500
Net OPEB liability	147,476	43,081	-	190,557	-
Total	1,714,476	103,581	822,000	996,057	545,500
Business type activities:					
Net OPEB liability	14,872	3,678	-	18,550	-

### General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	3.70	360,000	18,382	378,382
2016	3.75	135,000	5,062	140,062
		495,000	23,444	518,444

### Note Payable

The District has borrowed funds to purchase computers. The following is a schedule of future payments as of June 30, 2014.

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	3.75	125,000	9,375	134,375
2016	3.75	125,000	4,766	129,766
		250,000	14,141	264,141

### Termination Benefits

The District offered a voluntary early retirement plan for employees for fiscal year 2014. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2014, the District has obligations to 3 participants \$60,500. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$17,000.

## 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$423,797, \$388,238 and \$347,446 respectively, equal to the required contributions for each year.

## 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	56,715
Interest on net OPEB obligation	4,059
Adjustment to annual required contribution	(10,316)
Annual OPEB cost	50,458
Contributions made	3,699
Increase in net OPEB obligation	46,759
Net OPEB obligation beginning of year	162,348
Net OPEB obligation end of year	209,107

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$3,699 to the medical plan. Plan members eligible for benefits contributed \$19,486, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	46,630	22%	36,485
June 30, 2011	47,556	21%	73,998
June 30, 2012	51,216	18%	116,029
June 30, 2013	49,178	6%	162,348
June 30, 2014	50,458	7%	209,107

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$406,566, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$406,566. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,360,000, and the ratio of the UAAL to covered payroll was 9.3%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

## 9. Risk Management

South Hamilton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes

liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$275,399 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### 11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
	\$
Limited English proficiency	4,721
Early literacy	16,223
Teacher leadership	7,457
Teacher salary supplement	5,031
Home school assistance program	103,304
Educator quality, professional development	79,386
Core curriculum	57,585
At risk	31,804
Market factor	691
ICCC tech grant	5,443
Teacher mentoring	3,618
Preschool	125,539
	<u>440,802</u>

#### 12. Lease Commitment

The District entered into a five year contract to lease copiers in fiscal year 2013. The payments the District will make over the next four years are as follows:

Year Ended June 30	Lease Payment
	\$
2015	7,128
2016	7,128
2017	7,128
2018	6,534

Lease payments of \$7,128 were made during fiscal year 2014.

#### 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## REQUIRED SUPPLEMENTARY INFORMATION

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	5,167,708	274,177	5,441,885	5,959,492	5,959,492	(517,607)
State sources	4,030,692	3,528	4,034,220	3,327,820	3,327,820	706,400
Federal sources	135,852	173,326	309,178	502,432	502,432	(193,254)
Total revenues	<u>9,334,252</u>	<u>451,031</u>	<u>9,785,283</u>	<u>9,789,744</u>	<u>9,789,744</u>	<u>(4,461)</u>
Expenditures/Expenses:						
Instruction	5,636,363	-	5,636,363	7,034,418	6,672,829	1,036,466
Support services	2,332,319	-	2,332,319	2,440,000	2,440,000	107,681
Non-instructional programs	-	434,523	434,523	494,918	494,918	60,395
Other expenditures	1,407,852	-	1,407,852	1,238,411	1,600,000	192,148
Total expenditures/expenses	<u>9,376,534</u>	<u>434,523</u>	<u>9,811,057</u>	<u>11,207,747</u>	<u>11,207,747</u>	<u>1,396,690</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(42,282)	16,508	(25,774)	(1,418,003)	(1,418,003)	1,392,229
Balance beginning of year	<u>2,968,033</u>	<u>187,652</u>	<u>3,155,685</u>	<u>2,193,845</u>	<u>2,193,845</u>	<u>961,840</u>
Balance end of year	<u><u>2,925,751</u></u>	<u><u>204,160</u></u>	<u><u>3,129,911</u></u>	<u><u>775,842</u></u>	<u><u>775,842</u></u>	<u><u>2,354,069</u></u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment that reallocated budgeted expenditures among the functions, but did not change total budgeted expenditures.

During the year ended June 30, 2014, expenditures did not exceed the amended amount budgeted by function.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
		\$	\$	\$	%	\$	%
2010	July 1, 2009	-	388,098	388,098	0.0%	3,960,000	9.8%
2011	July 1, 2009	-	388,318	388,318	0.0%	3,780,000	10.3%
2012	July 1, 2009	-	367,870	367,870	0.0%	3,830,000	9.6%
2013	July 1, 2012	-	417,266	417,266	0.0%	4,070,000	10.3%
2014	July 1, 2012	-	406,566	406,566	0.0%	4,360,000	9.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue Fund		
	Student Activity Fund	Debt Service	Total
<b>Assets</b>	\$	\$	\$
Cash, cash equivalents and pooled investments	51,633	19,902	71,535
Receivables:			
Property tax:			
Delinquent	-	5,603	5,603
Succeeding year	-	378,382	378,382
Accounts	12,390	-	12,390
<b>Total assets</b>	<b>64,023</b>	<b>403,887</b>	<b>467,910</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	1,650	-	1,650
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	378,382	378,382
Fund balances:			
Restricted for:			
Debt service	-	25,505	25,505
Student activities	62,373	-	62,373
Total fund balances	62,373	25,505	87,878
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>64,023</b>	<b>403,887</b>	<b>467,910</b>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue Funds		
	Student Activity Fund	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	724,339	724,339
Other	209,980	225	210,205
State sources	-	272	272
Total revenues	<u>209,980</u>	<u>724,836</u>	<u>934,816</u>
Expenditures:			
Current:			
Instruction:			
Other	202,304	-	202,304
Other expenditures:			
Long-term debt:			
Principal	-	805,000	805,000
Interest and fiscal charges	-	58,162	58,162
Total expenditures	<u>202,304</u>	<u>863,162</u>	<u>1,065,466</u>
Excess (deficiency) of revenues over (under) expenditures	7,676	(138,326)	(130,650)
Other financing sources (uses):			
Operating transfers in	-	139,219	139,219
Operating transfers out	<u>(1,992)</u>	<u>-</u>	<u>(1,992)</u>
Change in fund balance	5,684	893	6,577
Fund balances beginning of year	<u>56,689</u>	<u>24,612</u>	<u>81,301</u>
Fund balances end of year	<u><u>62,373</u></u>	<u><u>25,505</u></u>	<u><u>87,878</u></u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position  
Nonmajor Enterprise Funds

June 30, 2014

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	13,067	3,603	16,670
Accounts receivable	762	240	1,002
Inventories	20,400	17,200	37,600
Capital assets, net of accumulated depreciation	177,389	-	177,389
<b>Total assets</b>	<u>211,618</u>	<u>21,043</u>	<u>232,661</u>
<b>Liabilities</b>			
Accounts payable	-	58	58
Interfund payable	3,102	-	3,102
Deferred revenue	6,791	-	6,791
Net OPEB liability	18,550	-	18,550
<b>Total liabilities</b>	<u>28,443</u>	<u>58</u>	<u>28,501</u>
<b>Net position</b>			
Investment in capital assets	177,389	-	177,389
Unrestricted	5,786	20,985	26,771
<b>Total net position</b>	<u>183,175</u>	<u>20,985</u>	<u>204,160</u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Nonmajor Enterprise Funds

Year ended June 30, 2014

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	263,305	10,865	274,170
Operating expenses:			
Salaries	135,479	-	135,479
Benefits	73,476	-	73,476
Purchased services	1,010	-	1,010
Supplies	197,818	11,682	209,500
Depreciation	14,369	-	14,369
Other	689	-	689
Total operating expenses	422,841	11,682	434,523
Operating income (loss)	(159,536)	(817)	(160,353)
Non-operating revenue:			
State sources	3,528	-	3,528
Federal sources	173,326	-	173,326
Interest income	7	-	7
Total non-operating revenue	176,861	-	176,861
Change in net position	17,325	(817)	16,508
Net position beginning of year	165,850	21,802	187,652
Net position end of year	183,175	20,985	204,160

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2014

	School Nutrition	Agri. Science Tech. Student Constr.	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	264,417	-	264,417
Cash received from sale of services and equipment	-	10,665	10,665
Cash paid to employees for services	(205,277)	-	(205,277)
Cash paid to suppliers for goods or services	(183,652)	(12,073)	(195,725)
Net cash used by operating activities	<u>(124,512)</u>	<u>(1,408)</u>	<u>(125,920)</u>
Cash flows from non-capital financing activities:			
Loans from (repaid to) other funds	(15,029)	-	(15,029)
State grants received	3,528	-	3,528
Federal grants received	147,381	-	147,381
Net cash provided by non-capital financing activities	<u>135,880</u>	<u>-</u>	<u>135,880</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(2,400)</u>	<u>-</u>	<u>(2,400)</u>
Cash flows from investing activities:			
Interest on investments	<u>7</u>	<u>-</u>	<u>7</u>
Net increase (decrease) in cash and cash equivalents	8,975	(1,408)	7,567
Cash and cash equivalents at beginning of year	<u>4,092</u>	<u>5,011</u>	<u>9,103</u>
Cash and cash equivalents at end of year	<u><u>13,067</u></u>	<u><u>3,603</u></u>	<u><u>16,670</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	(159,536)	(817)	(160,353)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	25,945	-	25,945
Depreciation	15,058	-	15,058
Decrease (increase) in inventories	(10,769)	(260)	(11,029)
Decrease (increase) in accounts receivable	699	(200)	499
(Decrease) increase in accounts payable	-	(131)	(131)
(Decrease) increase in deferred revenue	413	-	413
(Decrease) increase in other postemployment benefits	3,678	-	3,678
Net cash used by operating activities	<u>(124,512)</u>	<u>(1,408)</u>	<u>(125,920)</u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use	Physical Plant and Equipment Levy	Total
<b>Assets</b>	\$	\$	\$
Cash, cash equivalents and pooled investments	332,676	239,382	572,058
Receivables:			
Property tax:			
Delinquent	-	2,760	2,760
Succeeding year	-	354,380	354,380
Accounts	-	2,055	2,055
Due from other governments	221,259	-	221,259
<b>Total assets</b>	<u>553,935</u>	<u>598,577</u>	<u>1,152,512</u>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	946	946
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	354,380	354,380
Fund balances:			
Restricted for:			
School infrastructure	553,935	-	553,935
Physical plant and equipment	-	243,251	243,251
Total fund balances	<u>553,935</u>	<u>243,251</u>	<u>797,186</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>553,935</u>	<u>598,577</u>	<u>1,152,512</u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	356,832	356,832
Other	305	2,551	2,856
State sources	580,784	134	580,918
Federal sources	-	4,447	4,447
Total revenues	<u>581,089</u>	<u>363,964</u>	<u>945,053</u>
Expenditures:			
Current:			
Support services:			
Administration services	3,575	-	3,575
Operation and maintenance of plant	-	7,000	7,000
Transportation services	-	81,548	81,548
Other expenditures:			
Facilities acquisition	<u>25,398</u>	<u>243,893</u>	<u>269,291</u>
Total expenditures	<u>28,973</u>	<u>332,441</u>	<u>361,414</u>
Excess (deficiency) of revenues over (under) expenditures	552,116	31,523	583,639
Other financing sources (uses):			
Operating transfers out	<u>-</u>	<u>(139,219)</u>	<u>(139,219)</u>
Change in fund balance	552,116	(107,696)	444,420
Fund balances beginning of year	<u>1,819</u>	<u>350,947</u>	<u>352,766</u>
Fund balance end of year	<u><u>553,935</u></u>	<u><u>243,251</u></u>	<u><u>797,186</u></u>

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Dramatics	1,006	649	1,549	106
FFA	5,690	27,835	27,327	6,198
Technology club	120	-	-	120
Student council	1,367	9,690	10,376	681
National Honor Society	369	-	-	369
Spanish club	286	-	-	286
Yearbook	3,382	12,471	11,108	4,745
Hamilton holidays	7,973	7,021	6,912	8,082
Athletics	2,154	81,673	80,124	3,703
Concessions	477	36,111	35,583	1,005
Dance/drill team	22,687	4,354	3,356	23,685
District football	427	-	-	427
Class of 2014	-	2,821	2,821	-
Swing choir	48	-	-	48
H.S. band	1,560	-	-	1,560
Elementary vocal	300	155	62	393
K-6 student council	4,740	3,384	2,493	5,631
5th grade concessions	1,022	1,702	1,473	1,251
M.S. band	193	-	-	193
7-8 student council	616	1,630	2,232	14
Springbrook trip	-	1,928	1,928	-
Prom	2,219	18,462	16,902	3,779
Interest	53	94	50	97
	<u>56,689</u>	<u>209,980</u>	<u>204,296</u>	<u>62,373</u>
Total				

## SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,832,704	4,297,846	4,361,628	4,203,552	3,922,867	3,537,132	3,263,863	3,240,909	3,067,266	2,885,750
Tuition	908,575	716,628	674,172	720,069	740,360	747,184	887,860	721,140	236,917	319,458
Other	426,429	465,611	489,217	337,164	382,554	342,392	423,066	455,173	312,855	300,947
Intermediate sources		-	-	-	-	15,000	-	-	-	-
State sources	4,030,692	3,478,584	3,509,906	3,376,952	2,849,470	3,582,950	3,598,523	3,295,233	3,132,214	2,921,344
Federal sources	135,852	205,874	242,951	383,093	680,482	317,092	226,821	212,030	158,562	178,751
Total revenues	<u>9,334,252</u>	<u>9,164,543</u>	<u>9,277,874</u>	<u>9,020,830</u>	<u>8,575,733</u>	<u>8,541,750</u>	<u>8,400,133</u>	<u>7,924,485</u>	<u>6,907,814</u>	<u>6,606,250</u>
Expenditures:										
Instruction:										
Regular instruction	3,657,927	3,454,152	3,373,238	3,337,213	3,209,892	3,317,658	3,475,832	3,252,168	2,766,224	2,490,516
Special instruction	816,587	800,749	897,540	931,297	927,939	1,006,863	912,705	758,079	588,247	620,431
Other instruction	1,161,849	1,128,241	1,098,310	943,253	1,000,916	923,812	924,604	871,040	866,266	802,457
Support services:										
Student services	145,789	154,587	107,792	102,373	100,752	89,126	117,465	131,019	127,515	133,739
Instructional staff services	400,309	339,695	281,135	282,160	176,375	143,776	186,406	154,803	172,749	182,771
Administration services	732,733	671,442	649,012	604,310	577,836	611,443	617,842	596,473	621,724	600,986
Operation and maintenance	635,976	562,133	533,901	574,871	595,323	565,863	580,907	605,204	536,343	451,596
Transportation services	417,512	314,128	370,120	342,760	317,836	434,402	380,207	385,830	350,990	285,321
Non-instructional programs		-	6,562	-	-	-	2,973	-	-	-
Other expenditures:										
Facilities acquisition	269,291	1,079,164	1,348,482	228,281	239,073	651,266	542,784	174,814	467,133	260,552
Long-term debt:										
Principal	805,000	751,117	450,332	434,551	431,767	281,782	312,668	284,930	277,040	228,476
Interest and other charges	58,162	67,277	81,161	93,443	103,027	114,103	127,524	166,885	178,287	188,023
AEA flowthrough	275,399	268,471	264,292	292,000	289,465	269,863	257,585	246,409	230,051	218,517
Total expenditures	<u>9,376,534</u>	<u>9,591,156</u>	<u>9,461,877</u>	<u>8,166,512</u>	<u>7,970,201</u>	<u>8,409,957</u>	<u>8,439,502</u>	<u>7,627,654</u>	<u>7,182,569</u>	<u>6,463,385</u>

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Independent Auditor's Report on Internal Control  
Over Financial Reporting and on compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
South Hamilton Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of South Hamilton Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Hamilton Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Hamilton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Hamilton Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A and 14-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Hamilton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### South Hamilton Community School District's Responses to the Findings

South Hamilton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. South Hamilton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Hamilton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

March 27, 2015

# SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Responses

Year ended June 30, 2014

### Part I: Findings Related to the Financial Statements:

#### Internal Control Deficiencies:

14-I-A      Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparation and posting of general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-I-B      Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

#### Instances of Noncompliance:

No matters were reported.

# SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Responses

Year ended June 30, 2014

### Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014 did not exceed the certified budget amounts.
- 14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
- 14-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 14-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 14-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2013, was overstated by one students.
- Recommendation: The District should review its control procedures to ensure accurate counts in the future.
- District Response: We will continue to review our procedures and implement additional controls where possible.
- Conclusion: Response accepted.
- 14-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.
- 14-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 14-II-J Certified Annual Report: The Certified Annual Report was certified timely with the Iowa Department of Education.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

SOUTH HAMILTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (continued):

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		1,819
Revenues/transfers in:		
Statewide sales, services and use tax revenue	580,784	
Interest	<u>305</u>	581,089
Expenditures/transfers out:		
School infrastructure		<u>28,973</u>
Ending balance		<u>553,935</u>